

**JOINT STOCK COMPANY
BANK CENTERCREDIT**

**Interim Condensed Consolidated Financial
Information (Unaudited)**
For the six months ended 30 June 2016

JOINT STOCK COMPANY BANK CENTERCREDIT

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)	1
INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED):	
Interim consolidated statement of profit or loss (unaudited)	3
Interim consolidated statement of comprehensive income (unaudited)	4
Interim consolidated statement of financial position (unaudited)	5
Interim consolidated statement of changes in equity (unaudited)	6
Interim consolidated statement of cash flows (unaudited)	7-8
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	9-49

JOINT STOCK COMPANY BANK CENTERCREDIT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

Management is responsible for the preparation of interim condensed consolidated financial information that presents fairly the interim consolidated financial position of Joint Stock Company Bank CenterCredit and its subsidiaries ("the Group") as at 30 June 2016 and the results of its operations for the three and six months periods then ended, as well as cash flows and changes in equity for the six months period then ended, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's interim consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the interim consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the six months ended 30 June 2016 was authorized for issue by the Management Board of JSC Bank CenterCredit on 9 August 2016.

On behalf of the Management Board:



Lee V.S.
Chairman

9 August 2016
Almaty, Kazakhstan

Yang Jinhwan
Managing Director

9 August 2016
Almaty, Kazakhstan

Uashova S.K.
Deputy Chief Accountant

9 August 2016
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of Joint Stock Company Bank CenterCredit:

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Joint Stock Company Bank CenterCredit and its subsidiaries ("the Group") as at 30 June 2016, and the related interim consolidated statements of profit or loss and other comprehensive income for the three and six months then ended, and the interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Deloitte, LLP

9 August 2016
Almaty, Kazakhstan

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

(in Kazakhstani tenge and in millions, except for earnings per share which is in tenge)

	Notes	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015* (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015* (unaudited)
CONTINUING OPERATIONS					
Interest income	4, 20	23,682	23,616	46,583	44,518
Interest expense	4, 20	(16,000)	(11,743)	(34,449)	(24,023)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS					
		7,682	11,873	12,134	20,495
Provision for impairment losses on interest bearing assets	5	(2,433)	(9,460)	(5,715)	(13,843)
NET INTEREST INCOME					
		5,249	2,413	6,419	6,652
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss		(4,210)	(1,151)	191	(751)
Net realized gain on investments available-for-sale		717	70	702	20
Net gain/(loss) on foreign exchange operations		4,168	558	2,661	(850)
Fee and commission income		4,852	5,538	9,134	9,902
Fee and commission expense		(595)	(801)	(1,139)	(1,149)
(Provision)/recovery of provision for impairment losses on other transactions	5	(3,270)	345	(3,138)	337
Other (expense)/income		(22)	199	32	199
NET NON-INTEREST INCOME					
		1,640	4,758	8,443	7,708
OPERATING INCOME					
		6,889	7,171	14,862	14,360
OPERATING EXPENSES	6, 20	(8,130)	(6,690)	(15,203)	(12,944)
OPERATING (LOSS)/PROFIT BEFORE INCOME TAX					
		(1,241)	481	(341)	1,416
Income tax expense	7	(164)	(332)	(531)	(783)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS					
		(1,405)	149	(872)	633
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations	8	-	150	1,968	18
NET (LOSS)/PROFIT					
		(1,405)	299	1,096	651
Attributable to:					
Owners of the parent		(1,414)	291	1,060	640
Non-controlling interest		9	8	36	11
		(1,405)	299	1,096	651
(LOSS)/EARNINGS PER SHARE					
From continuing operations					
Basic and diluted (KZT)	9	(7.04)	0.70	(4.52)	3.09
From discontinued operations					
Basic (KZT)		-	0.93	12.16	0.11
Diluted (KZT)		-	0.75	9.79	0.09

* Amounts for prior period re-presented in the consolidated statement of profit or loss were re-presented to classify separately continuing operations and discontinued operations (Note 8)

On behalf of the Management Board:

Lee V.S.
Chairman

9 August 2016
Almaty

Yong Sinhwan
Managing Director

9 August 2016
Almaty

Uashova S.K.
Deputy Chief Accountant

9 August 2016
Almaty

Selected explanatory notes on pages 9-49 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (in Kazakhstani tenge and in millions)

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
NET (LOSS)/PROFIT	(1,405)	299	1,096	651
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (net of tax – KZT nil)	250	122	250	134
Net (loss)/gain resulting on revaluation of available-for-sale investments during the period (net of tax – KZT nil)	(705)	(1,086)	1,157	2
Reclassification adjustment relating to available-for-sale investments disposed of in the period (net of tax – KZT nil)	717	70	(702)	(20)
OTHER COMPREHENSIVE INCOME/(LOSS) AFTER INCOME TAX	262	(894)	705	116
TOTAL COMPREHENSIVE (LOSS)/INCOME	(1,143)	(595)	1,801	767
Attributable to:				
Owners of the parent	(1,152)	(603)	1,765	756
Non-controlling interest	9	8	36	11
TOTAL COMPREHENSIVE (LOSS)/INCOME	(1,143)	(595)	1,801	767

On behalf of the Management Board:

Lee V.S.
Chairman

9 August 2016
Almaty, Kazakhstan



Jiang Jinhwan
Managing Director

9 August 2016
Almaty, Kazakhstan

Uashova S.K.
Deputy Chief Accountant

9 August 2016
Almaty, Kazakhstan

Selected explanatory notes on pages 9-49 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY BANK CENTERCREDIT

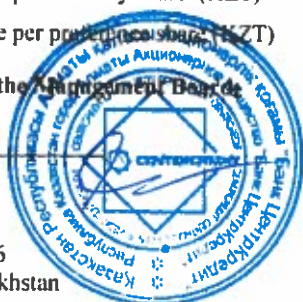
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016 (UNAUDITED) (in Kazakhstani tenge and in millions)

	Notes	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Cash and cash equivalents	10, 20	155,747	242,123
Obligatory reserves		12,333	15,951
Financial assets at fair value through profit or loss	11	91,985	103,750
Investments available-for-sale	12	97,294	96,680
Investments held-to-maturity		11,424	6,610
Due from banks		19,233	10,173
Loans to customers and banks	13, 20	842,707	891,980
Current income tax assets		43	148
Property, equipment and intangible assets		32,608	33,370
Other assets	14	40,343	29,048
		<u>1,303,717</u>	<u>1,429,833</u>
Assets classified as held for sale		-	12,578
TOTAL ASSETS		<u>1,303,717</u>	<u>1,442,411</u>
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and financial institutions	15, 20	113,063	181,548
Customer and banks accounts	16, 20	996,182	1,060,078
Debt securities issued		24,667	26,595
Deferred income tax liabilities	7	753	768
Subordinated bonds		58,390	62,181
Other liabilities	17	20,645	17,324
		<u>1,213,700</u>	<u>1,348,494</u>
Liabilities directly associated with assets classified as held for sale		-	7,737
Total liabilities		<u>1,213,700</u>	<u>1,356,231</u>
EQUITY:			
Equity attributable to owners of the parent:			
Share capital	18	69,779	69,741
Investments available-for-sale fair value deficit		(2,287)	(2,742)
Foreign currency translation deficit		-	(250)
Retained earnings		22,136	19,078
		<u>89,628</u>	<u>85,827</u>
Total equity attributable to owners of the parent		<u>89,628</u>	<u>85,827</u>
Non-controlling interest		<u>389</u>	<u>353</u>
Total equity		<u>90,017</u>	<u>86,180</u>
TOTAL LIABILITIES AND EQUITY		<u>1,303,717</u>	<u>1,442,411</u>
Book value per ordinary share (KZT)		469	444
Book value per preferred share (KZT)		300	300

On behalf of the Management Board

Lee V.S.
Chairman

9 August 2016
Almaty, Kazakhstan



Yang Jinhwan
Managing Director

9 August 2016
Almaty, Kazakhstan

Uashova S.K.
Deputy Chief Accountant

9 August 2016
Almaty, Kazakhstan

Selected explanatory notes on pages 9-49 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

(in Kazakhstani tenge and in millions)

	Share capital	Investments available-for-sale fair value deficit	Foreign currency translation deficit	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
31 December 2014	69,791	(1,238)	(652)	17,162	85,063	416	85,479
Net profit	-	-	-	640	640	11	651
Other comprehensive (loss)/income	-	(18)	134	-	116	-	116
Net repurchase of treasury shares	(16)	-	-	-	(16)	-	(16)
30 June 2015 (unaudited)	69,775	(1,256)	(518)	17,802	85,803	427	86,230
31 December 2015	69,741	(2,742)	(250)	19,078	85,827	353	86,180
Net profit	-	-	-	1,060	1,060	36	1,096
Other comprehensive income	-	455	250	-	705	-	705
Disposal of subsidiary	-	-	-	1,998	1,998	-	1,998
Net sale of treasury shares	38	-	-	-	38	-	38
30 June 2016 (unaudited)	69,779	(2,287)	-	22,136	89,628	389	90,017

On behalf of the Management Board:



Lee V.S.
Chairman

9 August 2016
Almaty, Kazakhstan

Yang Jinhwan
Managing Director

9 August 2016
Almaty, Kazakhstan

Uashova S.K.
Deputy Chief Accountant

9 August 2016
Almaty, Kazakhstan

Selected explanatory notes on pages 9-49 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (in Kazakhstani tenge and in millions)

	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	42,990	42,455
Interest paid	(35,350)	(25,247)
Fee and commission received	8,766	9,395
Fee and commission paid	(914)	(1,141)
Other income received	68	185
Operating expenses paid	(9,827)	(13,118)
Cash flows from operating activities before changes in operating assets and liabilities	5,733	12,529
Changes in operating assets and liabilities:		
Obligatory reserves	3,618	3,888
Financial assets at fair value through profit or loss	12,045	152
Due from banks	(8,614)	1,206
Loans to customers and banks	63,013	3,672
Other assets	(11,428)	(1,579)
Due to banks and financial institutions	(67,851)	3,676
Customer and banks accounts	(63,503)	(25,432)
Other liabilities	(3,662)	29
Cash outflow from operating activities before taxation	(70,649)	(1,859)
Income tax paid	(441)	-
Net cash outflow from operating activities	(71,090)	(1,859)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds on maturity and sale of investments available-for-sale	62,763	6,913
Purchase of investments available-for-sale	(63,057)	(6,806)
Proceeds on maturity of investments held-to-maturity	860	6,926
Purchase of investments held-to-maturity	(6,178)	(2,549)
Purchase of property, equipment and intangible assets	(492)	(2,679)
Net cash outflow from disposal of LLC Bank BCC-Moscow	(4,676)	-
Proceeds on sale of property and equipment	-	36
Net cash (outflow)/inflow from investing activities	(10,780)	1,841

JOINT STOCK COMPANY BANK CENTERCREDIT

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) *(in Kazakhstani tenge and in millions)*

	Notes	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Sale/(purchase) of treasury shares, net		38	(16)
Repurchase and repayment of debt securities issued		(1,990)	-
Proceeds from debt securities issued		-	6
Repayment of subordinated bonds		(4,000)	(2,000)
Net cash outflow from financing activities		(5,952)	(2,010)
<i>Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents</i>		1,446	841
NET DECREASE IN CASH AND CASH EQUIVALENTS		(86,376)	(1,187)
CASH AND CASH EQUIVALENTS, beginning of the period	10	242,123	112,628
CASH AND CASH EQUIVALENTS, end of the period	10	155,747	111,441

On behalf of the Management Board:

Lee V.S.
Chairman

9 August 2016
Almaty, Kazakhstan



Jing
Yang Jinhwan
Managing Director

9 August 2016
Almaty, Kazakhstan

Jus
Uashova S.K.
Deputy Chief Accountant

9 August 2016
Almaty, Kazakhstan

Selected explanatory notes on pages 9-49 form an integral part of this interim condensed consolidated financial information.

JOINT STOCK COMPANY BANK CENTERCREDIT

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)

(in Kazakhstani tenge and in millions, unless otherwise stated)

1. ORGANIZATION

JSC Bank CenterCredit (“the Bank”) is a Joint Stock Company (“JSC”), which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The Bank is regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”). The Bank conducts its business under license number 248, renewed on 13 December 2007. On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank’s issued ordinary share capital. As at 30 June 2016, Kookmin Bank’s share was 41.93% and the International Financial Corporation’s (“IFC”) share was 10% of the issued capital of the Bank.

The Bank's primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, loan origination activities and guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund (“the KDIF”).

The registered address is: 38, Al Farabi Ave., Almaty, the Republic of Kazakhstan.

As at 30 June 2016 and 31 December 2015, the Bank had 19 and 20 branches in the Republic of Kazakhstan.

The Bank is a parent company of a banking group (“the Group”) which consists of the following subsidiaries consolidated in its interim condensed consolidated financial information:

Name	Country of operation	30 June 2016 (unaudited)	31 December 2015	Type of operation
LLP Center Leasing	Republic of Kazakhstan	90.75%	90.75%	Finance lease
JSC BCC Invest	Republic of Kazakhstan	95.19%	95.19%	Brokerage and dealer activity
LLC Bank BCC- Moscow	Russian Federation	-	100%	Banking services
LLP BCC-SAOO	Republic of Kazakhstan	100.00%	100.00%	Management of distressed assets

On 20 January 2016, the Group sold its 100% shareholding in the subsidiary LLC Bank BCC-Moscow for a consideration of RUR 410,960,000.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively. The management of the Group believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly the application of these amendments did not have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to IFRS 10, IFRS 12 and IAS 28 has no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 has no impact on the Group's financial statements as the Group is not an IFRS first-time adopter.

Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendments to IAS 27 allows entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. There is no impact of these amendments on the financial statements as the Company does not prepare its separate financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there

is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The application of these amendments has no material effect on the Group's consolidated financial statements.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

4. NET INTEREST INCOME

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on unimpaired assets	18,454	17,260	36,465	33,519
- interest income on impaired assets	3,333	5,278	6,380	8,825
Interest income on financial assets at fair value	1,895	1,078	3,738	2,174
Total interest income	23,682	23,616	46,583	44,518
Interest income on financial assets recorded at amortized cost:				
Interest on loans to customers and banks	21,121	22,188	41,424	41,611
Interest on investments held-to-maturity	211	82	420	197
Penalties on loans to customers and banks	89	256	353	508
Interest on due from banks	366	12	648	28
Total interest income on financial assets recorded at amortized cost	21,787	22,538	42,845	42,344
Interest income on financial assets at fair value:				
Interest income on financial assets available-for-sale	1,637	812	3,229	1,642
Interest income on financial assets at fair value through profit or loss	258	266	509	532
Total interest income on financial assets recorded at fair value	1,895	1,078	3,738	2,174
Total interest income	23,682	23,616	46,583	44,518
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost				
Total interest expense	16,000	11,743	34,449	24,023
Interest expense on financial liabilities recorded at amortized cost:				
Interest on customer and banks accounts	11,937	7,512	23,771	15,411
Interest on debt securities issued	750	765	1,512	1,554
Interest on due to banks and financial institutions	1,926	2,293	6,575	4,693
Interest on subordinated bonds	1,387	1,173	2,591	2,365
Total interest expense on financial liabilities recorded at amortized cost	16,000	11,743	34,449	24,023
Net interest income before provision for impairment losses on interest bearing assets	7,682	11,873	12,134	20,495

Interest income on impaired assets is recognized using the method of unwinding of discount. The present value of future cash flows increases due to the passage of time thus reducing allowance for impairment losses. This is referred to as unwinding effect that is disclosed in Note 5.

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

	Corporate loans	Small and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Car loans	Loans to banks	Total loans to customers and banks (Note 13) (unaudited)
For three months ended 30 June 2015 and 2016	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
31 March 2015 (unaudited)	123,564	10,406	2,317	2,761	8,275	30	4	147,357
Additional provision recognized/(recovery of provision)**	7,770	(1,006)	1,657	441	594	(4)	8	9,460
Unwind of discount*	(3,014)	(150)	(480)	(438)	(293)	-	-	(4,375)
Write-off of assets	(17,471)	15	(434)	64	(27)	(1)	-	(17,854)
Recovery of assets previously written off	358	-	13	1	-	1	-	373
Exchange rate difference	26	42	(62)	67	(4)	-	-	69
Reclassification to assets held for sale	(597)	146	(50)	(5)	-	-	-	(506)
30 June 2015 (unaudited)	110,636	9,453	2,961	2,891	8,545	26	12	134,524
31 March 2016 (unaudited)	82,725	2,304	4,342	6,104	9,520	26	-	105,021
Additional provision recognized/(recovery of provision)**	5,042	65	1,309	125	(4,090)	(28)	10	2,433
Unwind of discount*	(2,284)	(143)	(55)	(75)	(135)	-	-	(2,692)
Write-off of assets	(7)	(41)	(721)	(645)	(62)	(7)	-	(1,483)
Recovery of assets previously written off	128	157	420	247	130	28	-	1,110
Exchange rate difference	(806)	(44)	(44)	(48)	(82)	-	-	(1,024)
30 June 2016 (unaudited)	84,798	2,298	5,251	5,708	5,281	19	10	103,365

* Recognized in interest income

** Additional provisions recognized during the three months ended 30 June 2016 and 2015 is presented in the consolidated statement of profit or loss in "Provision for impairment losses on interest bearing assets" line item from continuing operations and in discontinued operations

	Corporate loans	Small and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Car loans	Loans to banks	Total loans to customers and banks (Note 13)
For six months ended 30 June 2015 and 2016	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
31 December 2014	116,107	13,624	5,287	5,234	8,710	33	41	149,036
Additional provision recognized/(recovery of provision)**	19,244	(4,048)	(366)	(1,464)	500	6	(29)	13,843
Unwind of discount*	(5,925)	(263)	(1,032)	(889)	(542)	(2)	-	(8,653)
Write-off of assets	(19,680)	(171)	(892)	(79)	(222)	(12)	-	(21,056)
Recovery of assets previously written off	358	-	38	1	-	1	-	398
Exchange rate difference	953	92	(34)	153	99	(70)	-	1,193
Reclassification to assets held for sale	(421)	219	(40)	(65)	-	70	-	(237)
30 June 2015 (unaudited)	110,636	9,453	2,961	2,891	8,545	26	12	134,524
31 December 2015	119,122	6,567	6,468	7,075	12,071	23	-	151,326
(Recovery of provision)/additional provision recognized**	(7,822)	259	6,642	4,386	2,248	(8)	10	5,715
Unwind of discount*	(4,788)	(207)	(187)	(252)	(334)	-	-	(5,768)
Write-off of assets	(23,739)	(4,583)	(8,246)	(5,926)	(9,042)	(24)	-	(51,560)
Recovery of assets previously written off	128	157	470	312	146	28	-	1,241
Exchange rate difference	1,897	105	104	113	192	-	-	2,411
30 June 2016 (unaudited)	84,798	2,298	5,251	5,708	5,281	19	10	103,365

* Recognized in interest income

** Additional provisions recognized during the six months 30 June 2015 and 2016 is presented in the consolidated statement of profit or loss in "Provision for impairment losses on interest bearing assets" line item from continuing operations and in discontinued operations

The movements in provision for impairment losses on other transactions were as follows:

For three months ended 30 June 2015 and 2016	Other assets (Note 14)	Due from banks
31 March 2015 (unaudited)	1,832	-
Recoveries of provisions recognized*	(58)	-
Write-off of assets	(341)	-
Exchange rate difference	(78)	-
30 June 2015 (unaudited)	<u>1,355</u>	<u>-</u>
31 March 2016 (unaudited)	1,455	-
(Recoveries)/additional provisions recognized	(28)	3,164
Exchange rate difference	(14)	-
30 June 2016 (unaudited)	<u>1,413</u>	<u>3,164</u>
For six months ended 30 June 2015 and 2016	Other assets (Note 14)	Due from banks
31 December 2014	2,291	-
Recoveries of provisions recognized*	(503)	-
Write-off of assets	(457)	-
Exchange rate difference	24	-
30 June 2015 (unaudited)	<u>1,355</u>	<u>-</u>
31 December 2015	1,654	-
(Recoveries)/additional provisions recognized	(443)	3,164
Write-off of assets	207	-
Exchange rate difference	(5)	-
30 June 2016 (unaudited)	<u>1,413</u>	<u>3,164</u>

*Recoveries of provisions recognized during the three months ended 30 June 2016 and 2015 is presented in the consolidated statement of profit or loss in "Recovery for impairment losses on other transactions" line item from continuing operations and in discontinued operations

The movements in provision for impairment losses on guarantees and letters of credit were as follows:

	Guarantees and letters of credit (Note 19)
For three months ended 30 June 2015 and 2016	
31 March 2015 (unaudited)	2,365
Recoveries of provisions recognized	(287)
Exchange rate difference	<u>3</u>
30 June 2015 (unaudited)	<u><u>2,081</u></u>
31 March 2016 (unaudited)	793
Additional provisions recognized	134
Exchange rate difference	<u>10</u>
30 June 2016 (unaudited)	<u><u>937</u></u>
	Guarantees and letters of credit (Note 19)
For six months ended 30 June 2015 and 2016	
31 December 2014	1,894
Additional provisions recognized*	166
Exchange rate difference	<u>21</u>
30 June 2015 (unaudited)	<u><u>2,081</u></u>
31 December 2015	510
Additional provisions recognized	417
Exchange rate difference	<u>10</u>
30 June 2016 (unaudited)	<u><u>937</u></u>

*Recoveries of provisions recognized during the six months ended 30 June 2016 and 2015 is presented in the consolidated statement of profit or loss in "Recovery for impairment losses on other transactions" line item from continuing operations and in discontinued operations

6. OPERATING EXPENSES

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Staff costs	3,400	3,284	6,580	6,241
Deposit Insurance Fund expenses	904	577	1,980	1,217
Taxes other than income tax	795	555	1,370	1,055
Administrative expenses	650	455	1,148	855
Depreciation and amortization	626	496	1,254	1,005
Operating leases expenses	508	463	958	906
Collection expenses	337	142	460	388
Security expenses	178	211	356	387
Telecommunications	151	129	285	260
Property and equipment maintenance	76	204	133	284
Professional services	44	25	100	65
Business trip expenses	32	52	91	96
Advertising costs	21	44	35	92
Business development expenses	7	17	13	17
Other expenses	401	36	440	76
Total operating expenses	8,130	6,690	15,203	12,944

7. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 June 2016 and 31 December 2015 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Current income tax expense	163	365	546	814
Adjustments recognised in the period for current tax of prior periods	-	(563)	-	(563)
Deferred income tax expense/(benefit)	1	530	(15)	532
Income tax expense	164	332	531	783

The tax rate used for the six months ended 30 June 2016 and the year ended 31 December 2015 is the corporate tax rate of 20%, payable by corporate entities in the Republic of Kazakhstan on taxable profits under tax law in that jurisdiction.

	Six months ended 30 June 2016 (unaudited)	Year ended 31 December 2015
Deferred income tax liability		
Beginning of the period	(768)	(236)
Change in deferred tax liability recognized in profit or loss	15	(532)
End of the period	(753)	(768)

8. DISCONTINUED OPERATIONS

In December 2015 the Management Board and Board of Directors of the Bank made the decision to dispose 100% of its investment in LLC Bank BCC-Moscow. On 20 January 2016, the Group sold its 100% shareholding in the subsidiary LLC Bank BCC-Moscow for consideration of RUR 410,960 thousands.

The combined results of the discontinued operations of LLC Bank BCC-Moscow included in the interim consolidated statement of profit or loss are set out below.

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Interest income	-	203	54	538
Interest expense	-	(149)	(61)	(342)
NET INTEREST INCOME BEFORE RECOVERY OF/(PROVISION FOR) IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	-	54	(7)	196
Recovery of/(provision for) impairment losses on interest bearing assets	-	506	(275)	401
NET INTEREST INCOME/(LOSS)	-	560	(282)	597
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	66	(37)	106
Net (loss)/gain on foreign exchange operations	-	(256)	8	(275)
Fee and commission income	-	15	3	23
Fee and commission expense	-	(5)	(2)	(11)
Other income/(expense)	-	1	-	(14)
NET NON-INTEREST LOSS	-	(179)	(28)	(171)
OPERATING INCOME/(LOSS)	-	381	(310)	426
OPERATING EXPENSES	-	(229)	(52)	(404)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	-	152	(362)	22
Income tax expense	-	(2)	-	(4)
Profit/(loss) for the period from discontinued operations	-	150	(362)	18
Gain on disposal of subsidiary	-	-	2,330	-
Net profit discontinued operations	-	150	1,968	18

The major classes of assets and liabilities of LLC Bank BCC-Moscow as at 20 January 2016 were as follows:

	20 January 2016
Cash and cash equivalents	6,628
Financial assets at fair value through profit or loss	3,877
Investments held to maturity	1,627
Loans to customers and banks	2,365
Other assets	542
Property, equipment and intangible assets	711
	<hr/>
Assets of LLC Bank BCC-Moscow classified as held for sale	15,750
	<hr/>
Due to banks and financial institutions	11,725
Customer and banks accounts	4,271
Other liabilities	132
	<hr/>
Liabilities of LLC Bank BCC-Moscow classified as held for sale	16,128
	<hr/>
Net liabilities of LLC Bank BCC-Moscow classified as held for sale	<u>(378)</u>

Gain on disposal of subsidiary:

	Six months ended 30 June 2016 (unaudited)
Consideration received	1,952
Net liabilities disposed of	378
	<hr/>
Gain on disposal	<u>2,330</u>

Net cash outflow from disposal of subsidiary:

	30 June 2016 (unaudited)
Consideration received in cash	1,952
Less: cash and cash equivalent balances disposed of	(6,628)
	<hr/>
	<u>4,676</u>

9. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the period.

	Three months ended 30 June 2016 (unaudited)	Three months ended 30 June 2015 (unaudited)	Six months ended 30 June 2016 (unaudited)	Six months ended 30 June 2015 (unaudited)
Basic (loss)/earnings per share				
Net (loss)/profit for the year attributable to owners of the Bank	(1,414)	291	1,060	640
Less: profit for the year from discontinued operations used in calculation of loss per share from discontinued operations	-	(150)	(1,968)	(18)
Less: additional dividends that would be paid on full distributions of profit to the preferred share holders	276	(27)	(177)	(121)
(Loss)/earnings attributable to ordinary shareholders	<u>(1,138)</u>	<u>114</u>	<u>(1,085)</u>	<u>501</u>
Weighted average number of ordinary shares for purposes of basic earnings per share	161,730,512	162,077,104	161,778,037	162,077,482
(Loss)/earnings per share - basic (KZT), continuing operations	<u>(7.04)</u>	<u>0.70</u>	<u>(4.52)</u>	<u>3.09</u>
Earnings per share - basic (KZT), discontinued operations	<u>-</u>	<u>0.93</u>	<u>12.16</u>	<u>0.11</u>
Diluted earnings per share				
(Loss)/earnings used in calculation of earnings per share from continuing operations	(1,138)	114	(731)	501
Add: additional dividends that would be paid on full distributions of profit to the preferred share holders	(276)	27	(177)	121
(Loss)/earnings used in the calculation of total diluted earnings per share from continuing operations	<u>(1,414)</u>	<u>141</u>	<u>(908)</u>	<u>622</u>
Weighted average number of ordinary shares for purposes of diluted earnings per share	<u>161,730,512</u>	<u>162,077,104</u>	<u>161,778,037</u>	<u>162,077,482</u>
Shares deemed to be issued:				
Weighted average number of common shares that would be issued for the convertible preferred shares	<u>39,249,255</u>	<u>39,249,255</u>	<u>39,249,255</u>	<u>39,249,255</u>
Weighted average number of ordinary shares for purposes of diluted earnings per share	<u>200,979,767</u>	<u>201,326,359</u>	<u>201,027,292</u>	<u>201,326,737</u>
(Loss)/earnings per share - diluted (KZT), continuing operations	<u>(7.04)</u>	<u>0.70</u>	<u>(4.52)</u>	<u>3.09</u>
Earnings per share - diluted (KZT), discontinued operations	<u>-</u>	<u>0.75</u>	<u>9.79</u>	<u>0.09</u>

The Group has calculated the book value of one share per each class of shares in accordance with the methodology for computation of the book value of one share, provided by KASE.

The book value of one share per each class of shares as at 30 June 2016 and 31 December 2015 is as follows:

Class of shares	30 June 2016 (unaudited)			31 December 2015		
	Outstanding shares (number outstanding)	Amount for calculation of book value KZT million	Book value of one share, KZT	Outstanding shares (number outstanding)	Amount for calculation of book value KZT million	Book value of one share, KZT
Ordinary shares	161,918,379	75,866	469	161,584,115	71,803	444
Preference shares	39,249,255	11,775	300	39,249,255	11,775	300
		<u>87,641</u>			<u>83,578</u>	

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the outstanding number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group for ordinary shares to the outstanding number of ordinary shares as at the reporting date. The net asset value of the Group for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date. Outstanding number of ordinary and preference shares is calculated as outstanding shares authorized and issued net of repurchased shares by the Group as at the reporting date.

The management believes that the Group fully complies with the requirement of KASE as at the reporting date.

10. CASH AND CASH EQUIVALENTS

	30 June 2016 (unaudited)	31 December 2015
Short-term deposits with financial institutions	108,555	200,172
Cash on hand	38,189	37,726
Cash in transit	9,003	4,225
Total cash and cash equivalents	<u>155,747</u>	<u>242,123</u>

As at 30 June 2016 and 31 December 2015, the Group had deposits with NBRK and JSC Kazkommertsbank which individually and in the aggregate exceeded 10% of the Group's equity.

11. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	30 June 2016 (unaudited)	31 December 2015
Financial assets held for trading:		
Debt securities	16,505	12,018
Equity securities	630	527
Total financial assets held for trading	<u>17,135</u>	<u>12,545</u>
Derivative financial instruments	74,850	91,205
Total financial assets at fair value through profit or loss	<u>91,985</u>	<u>103,750</u>

	30 June 2016 (unaudited)		31 December 2015	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
Debt securities:				
Government bonds of the Republic of Kazakhstan	4.93-15.58	10,196	4.93-7.65	6,949
Kazakhstan corporate bonds	4.63-13.00	6,172	3.91-13.00	4,973
International corporate bonds	5.95-6.82	<u>137</u>	5.95	<u>96</u>
Total debt securities		<u>16,505</u>		<u>12,018</u>
			30 June 2016 (unaudited)	31 December 2015
Equity securities*:				
Shares of Kazakhstan corporations			475	444
Shares of International corporations			<u>155</u>	<u>83</u>
Total equity securities			<u>630</u>	<u>527</u>

*Ownership interest in equity securities is below 1%

	Notional Value	30 June 2016 (unaudited) Net fair value		Notional Value	31 December 2015 Net fair value	
		Asset	Liability (Note 17)		Asset	Liability (Note 17)
Foreign currency contracts:						
Swaps	172,313	74,850	9,814	215,457	91,205	8,957
Embedded derivative	-	-	-	1,622	-	812
Total derivative financial instruments		<u>74,850</u>	<u>9,814</u>		<u>91,205</u>	<u>9,769</u>

The table above shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are indicative of neither the market risk nor the credit risk.

As at 30 June 2016, financial assets at fair value through profit or loss included Notes of the National Bank of the Republic of Kazakhstan of KZT which 1,739 million were pledged under repurchase agreements with the other banks (Note 22).

As at 31 December 2015, financial assets at fair value through profit or loss included Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan of which KZT 6,371 million were pledged under repurchase agreements with the other banks (Note 22).

All repurchase agreements as at 30 June 2016 and 31 December 2015 mature in July 2016 and January 2016, respectively.

12. INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2016 (unaudited)		31 December 2015	
Debt securities	97,145		96,531	
Equity securities	149		149	
Total investments available-for-sale	97,294		96,680	
	30 June 2016 (unaudited)		31 December 2015	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
Debt securities:				
Government bonds of the Republic of Kazakhstan	3.80-7.13	51,054	3.30-8.75	51,642
Kazakhstan corporate bonds	3.26-9.13	44,201	3.26-9.13	40,962
International corporate bonds	8.15	1,890	8.15	1,867
Russian corporate bonds	-	-	5.25	2,060
Total debt securities		97,145		96,531
			30 June 2016 (unaudited)	31 December 2015
Equity securities:				
Shares of Kazakhstan corporations			130	130
Shares of International corporations			19	19
Total equity securities			149	149
Total investments available-for-sale			97,294	96,680

As at 30 June 2016, investments available-for-sale included Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan and other securities of KZT nil were pledged under repurchase agreements with other banks (Note 22).

As at 31 December 2015, investments available-for-sale included Treasury bonds of the Ministry of Finance of Republic of Kazakhstan and other securities of KZT 43,539 million were pledged under repurchase agreements with other banks (Note 22).

All repurchase agreements as at 31 December 2015 mature in January 2016.

13. LOANS TO CUSTOMERS AND BANKS

	30 June 2016 (unaudited)	31 December 2015
Originated loans to customers	895,195	974,136
Net investment in finance lease	4,186	4,186
Accrued interest	39,071	61,119
	<u>938,452</u>	<u>1,039,441</u>
Less: allowance for impairment losses	(103,355)	(151,326)
Total loans to customers	<u>835,097</u>	<u>888,115</u>
Originated loans to banks	722	897
Accrued interest	9	19
	<u>(10)</u>	<u>-</u>
Total loans to customers and banks	<u>721</u>	<u>916</u>
Loans under reverse repurchase agreements	<u>6,889</u>	<u>2,949</u>
Total loans to customers and banks	<u>842,707</u>	<u>891,980</u>

Movement in allowances for impairment losses on loans to customers and banks for the six months ended 30 June 2016 and 2015 is disclosed in Note 5.

	30 June 2016 (unaudited)	31 December 2015
Analysis by sector:		
Individuals	352,756	396,424
Trading	151,374	152,788
Rent of real estate	58,925	67,834
Agriculture	45,041	47,560
Energy	44,744	44,998
Manufacturing	44,564	48,394
Industrial construction	44,404	54,457
Food industry	34,267	35,511
Transportation and equipment maintenance	28,499	36,042
Residential construction	26,354	53,608
Oil and gas	20,923	20,814
Telecommunications and transport	11,512	13,460
Mass media	1,368	1,830
Other	73,721	65,721
	<u>938,452</u>	<u>1,039,441</u>
Less: allowance for impairment losses	(103,355)	(151,326)
Total loans to customers	<u>835,097</u>	<u>888,115</u>

During the year ended 31 December 2015 and during six months ended 30 June 2016 the Group received non-financial assets by taking possession of collateral it held as security. As at 30 June 2016 and 31 December 2015 such assets amounting to KZT 21,179 million and KZT 15,175 million, respectively, are included in other assets (Note 14).

Loans to customers comprise the following products:

	30 June 2016 (unaudited)	31 December 2015
Loans to legal entities		
Corporate loans	514,289	564,948
Small and medium-sized enterprises	71,407	78,069
	<u>585,696</u>	<u>643,017</u>
Loans to individuals		
Mortgage loans	154,887	167,721
Consumer loans	114,702	130,723
Business development	77,580	92,091
Car loans	5,587	5,889
	<u>352,756</u>	<u>396,424</u>
Less: allowance for impairment losses	<u>(103,355)</u>	<u>(151,326)</u>
Total loans to customers	<u>835,097</u>	<u>888,115</u>

As at 30 June 2016 and 31 December 2015, the Group provided loans to 22 and 24 borrowers totaling KZT 329,642 million and KZT 351,543 million, which individually and in aggregate exceeded 10% of the Group's equity, respectively.

As at 30 June 2016 and 31 December 2015, a significant amount of loans (98% and 98% of total portfolio, respectively) is granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 30 June 2016 and 31 December 2015, loans to customers included loans totaling KZT 75,463 million and KZT 67,354 million, respectively, with terms renegotiated. Otherwise these loans would be past due or impaired.

	Carrying amount before allowance	30 June 2016 (unaudited) Allowance for impairment losses	Carrying amount	Carrying amount before allowance	31 December 2015 Allowance for impairment losses	Carrying amount
Loans to customers individually determined to be impaired	243,740	(81,355)	162,385	282,149	(120,198)	161,951
Loans to customers collectively determined to be impaired	101,145	(13,186)	87,959	81,897	(21,203)	60,694
Unimpaired loans	<u>593,567</u>	<u>(8,814)</u>	<u>584,753</u>	<u>675,395</u>	<u>(9,925)</u>	<u>665,470</u>
Total	<u>938,452</u>	<u>(103,355)</u>	<u>835,097</u>	<u>1,039,441</u>	<u>(151,326)</u>	<u>888,115</u>

In determining the impairment allowance for the loans that are individually significant, management of the Bank makes the assumption of delay of one to three years in obtaining proceeds from sale of collateral.

In December 2015 the Bank introduced changes to the Methodology on provision calculation in the part of loans assessed for impairment on a collective basis. The Bank differentiated approach on provision calculation in relation to: 1) loans on which the Bank expects cash payments by loan repayment and sale of collateral and 2) loans on which the Bank does not expect cash payments and considers only proceeds from sale of collateral. As a result there was additional provision recognized and reallocation of provision between the overdue categories and major part was concentrated in the category with overdue more than 180 days since this category is the riskiest one with the least expectation the borrower will repay the loan by cash.

14. OTHER ASSETS

	30 June 2016 (unaudited)	31 December 2015
Other financial assets:		
Receivables	11,533	8,896
Accrued commission	1,976	1,608
Western Union and other wireless transfers	1,487	213
	<u>14,996</u>	<u>10,717</u>
Less allowances for impairment losses	(1,224)	(1,504)
Total other financial assets	<u>13,772</u>	<u>9,213</u>
Other non-financial assets:		
Repossessed collateral	21,179	15,175
Investment property	3,160	3,376
Advances paid	1,721	660
Tax settlements, other than income tax	577	743
Inventory	123	31
	<u>26,760</u>	<u>19,985</u>
Less accumulated impairment	(189)	(150)
Total other non-financial assets	<u>26,571</u>	<u>19,835</u>
Total other assets	<u>40,343</u>	<u>29,048</u>

Movement in allowances for impairment losses on other assets for the six months ended 30 June 2016 and 2015 is disclosed in Note 5.

Repossessed collateral represents real estate accepted by the Group from the non-performing borrowers. These assets have been initially recognized at fair value and subsequently measured at the lower of fair value less cost to dispose or the carrying value. As at 30 June 2016, the Management have not decided yet on whether the repossessed collateral will be sold or used as property and equipment.

The fair value of investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties and as at 30 June 2016 and 31 December 2015 amounted to KZT 6,787 million and KZT 5,223 million, respectively.

Included into operating lease income is investment property rental income for the six months ended 30 June 2016 amounted to KZT 126 million.

Operating expenses arising from the investment property that generated rental income during the six months ended 30 June 2016 amounted to KZT 317 million.

15. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Nominal interest rate, %	30 June 2016 (unaudited)	31 December 2015
Long-term loans due to banks and financial institutions	0.85-8.50	53,454	55,325
Perpetual debt	6.70	26,662	26,513
Loans due to international credit organizations	6.20-8.15	18,385	18,358
Loans due to the Government of the Republic of Kazakhstan and NBRK	5.50	10,125	30,132
Correspondent accounts of banks	-	1,128	1,169
Short-term loans due to banks and financial institutions	2.99-3.25	204	300
Accrued interest	-	1,454	1,933
		<u>111,412</u>	<u>133,730</u>
Loans under repurchase agreements	14.00	1,651	47,818
Total due to banks and financial institutions		<u><u>113,063</u></u>	<u><u>181,548</u></u>

During the six months ended 30 June 2016, the Group has received long term loans with the possibility of early recall from JSC Entrepreneurship Development Fund DAMU (“DAMU”) in the amount of KZT 500 million at 4.50% p.a. maturing in 2023, KZT 200 million at 4.30% p.a. maturing in 2021, and also KZT 300 million at 3.80% p.a. and KZT 80 million at 4.50% p.a. both maturing in 2021. The loans were received in accordance with the Government program (“the Program”) to finance small and medium enterprises (“SME”) of certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, at 6% with the maturity not exceeding 10 years. The Group’s obligation to repay the loan to DAMU is not contingent on collectability of the loans extended to SME borrowers. The Group is obligated to pay 5% penalty on the amounts not extended to SME borrowers within 6 months after receiving the money from DAMU. Management of the Group believes that there are no other similar financial instruments and due to specific nature of SME clients, this product represents a separate market. As a result, the loan from DAMU was received in an orderly transaction and as such has been recorded at fair value at the recognition date.

During the six months ended 30 June 2016 the Group has received long term loan from JSC Development Bank of Kazakhstan in the amount of KZT 2,000 million at 1.00% p.a. maturing in 2035.

In February 2014 the Group received a loan from NBRK in the amount of KZT 80,000 million at 5.50% p.a. with the maturity of one year. As at 31 December 2014, the Group has partially repaid the loan. In December 2014, the Group prolonged payment of the loan till 1 September 2016. As at 30 June 2016 the loan due to NBRK amounted to KZT 10,000 million.

The Perpetual non-cumulative debt was issued by the Group in March 2006 with an option to repay in whole, but not in part, on any interest payment date from and including 3 March 2016 at face value of USD 100 million. Interest payment dates are 3 March, 3 June, 3 September and 3 December in each year.

The Group is obligated to comply with financial covenants in relation to due to banks and subordinated loans. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. As at 30 June 2016, the Group has not breached any of these covenants.

During the year ended 31 December 2015, the Group has breached a covenant in relation to a loan obtained from Citibank International Plc. On 28 January 2016, the Group obtained a waiver from Citibank International Plc to 31 December 2015. The loan was repaid in full in March 2016.

As at 30 June 2016 and 31 December 2015, the Group had long-term loans received from JSC Development Bank of Kazakhstan, Entrepreneurship Development Fund DAMU ("DAMU"), JSC European Bank of Reconstruction and Development and NBRK that individually and in aggregate exceeded 10% of the Group's equity.

As at 30 June 2016 and 31 December 2015 included in deposits by banks are loans under repurchase agreements of KZT 1,651 million and KZT 47,818 million that were settled in July and January 2016, respectively.

As at 30 June 2016 and 31 December 2015 fair value of assets pledged and carrying value of loans under repurchase agreements are presented as follows:

	30 June 2016 (unaudited)		31 December 2015	
	Carrying value of loans (Note 22)	Fair value of collateral (Note 22)	Carrying value of loans (Note 22)	Fair value of collateral (Note 22)
Bonds of the Ministry of Finance of the Republic of Kazakhstan Notes HБPK	-	-	47,818	49,910
	<u>1,651</u>	<u>1,739</u>	<u>-</u>	<u>-</u>
Total	<u><u>1,651</u></u>	<u><u>1,739</u></u>	<u><u>47,818</u></u>	<u><u>49,910</u></u>

16. CUSTOMER AND BANKS ACCOUNTS

	30 June 2016 (unaudited)	31 December 2015
Recorded at amortized cost:		
Customer accounts	958,430	1,030,367
Banks accounts	<u>32,635</u>	<u>24,202</u>
	991,065	1,054,569
Accrued interest	<u>5,117</u>	<u>5,509</u>
Total customer and bank accounts	<u><u>996,182</u></u>	<u><u>1,060,078</u></u>
	30 June 2016 (unaudited)	31 December 2015
Time deposits	665,298	756,463
Demand deposits	<u>293,132</u>	<u>273,904</u>
	958,430	1,030,367
Accrued interest	<u>4,784</u>	<u>4,548</u>
Total customer accounts	<u><u>963,214</u></u>	<u><u>1,034,915</u></u>

As at 30 June 2016 and 31 December 2015, customer accounts totaling KZT 110,403 million and KZT 120,952 million were due to five and five customers, respectively. This represents a significant concentration.

	30 June 2016 (unaudited)	31 December 2015
Analysis by sector:		
Individuals	508,693	545,417
Social services	141,573	169,077
Real estate construction	60,662	73,016
Trade	44,102	51,962
Education and health care	35,631	27,896
Transportation and communication	31,079	43,251
Insurance companies and pension fund	19,576	19,972
Manufacturing	19,002	19,805
Energy	13,490	15,003
Metallurgy	13,171	4,828
Oil and gas	8,499	12,341
Agriculture	6,169	6,822
Research and engineering	4,659	4,858
Entertainment services	3,924	5,309
Chemical production	3,823	1,708
Fuel	3,680	4,260
Machinery	1,668	1,951
Public administration	631	368
Other	43,182	27,071
Total customer accounts	963,214	1,034,915

Banks accounts as at 30 June 2016 and 31 December 2015 comprised the following:

	30 June 2016 (unaudited)	31 December 2015
Time deposits	14,277	24,200
Demand deposits	18,358	2
	32,635	24,202
Accrued interest	333	961
Total bank accounts	32,968	25,163

17. OTHER LIABILITIES

	30 June 2016 (unaudited)	31 December 2015
Other financial liabilities:		
Derivative financial instruments (Note 11)	9,814	9,769
Settlements on other transactions	5,014	3,182
Obligations under financial guarantees issued	1,646	1,398
Accrued commission expenses	658	433
Provision for guarantees and letters of credit (Note 5)	937	510
	18,069	15,292
Other non-financial liabilities:		
Taxes payable, other than income tax	1,577	1,355
Other non-financial liabilities	999	677
	2,576	2,032
Total other liabilities	20,645	17,324

Movement in the provision for guarantees and letters of credit for the six months ended 30 June 2016 are disclosed in Note 5.

18. SHARE CAPITAL

As at 30 June 2016, the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(538,421)	161,918,379
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2015, the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(872,685)	161,584,115
Preference shares	39,249,255	-	-	39,249,255

All ordinary shares are ranked equally, carry one vote, and have no par value.

Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors, one preferred share can be exchanged for one ordinary share.

According to Kazakhstan's Law on Joint Stock Companies dividends can be payable on ordinary shares in the form of money or securities of the Bank on condition that the decision was made at the annual meeting of shareholders of the Bank. In accordance with Regulation of the Group dividend payments can be made on the basis of financial results for the year.

The terms of the preferred Shares require that the Group pay a nominal dividend amount of 0.01 KZT per share in order to comply with Kazakhstan legislation, which represents the liability component. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on preferred shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the preferred shares cannot be less than the dividends paid on common shares. Furthermore, the dividends on common shares will not be paid until dividends on preferred shares are fully paid.

	Six months ended 30 June 2016 (unaudited) Quantity, in thousands	Year ended 31 December 2015 Quantity, in thousands
Preference shares, beginning of the period	39,249	39,249
Preference shares issued	-	-
Preference shares, end of the period	<u>39,249</u>	<u>39,249</u>
Ordinary shares, beginning of the period	161,584	162,021
Treasury shares repurchased	(369)	(1,871)
Treasury shares sold	703	1,434
Ordinary shares, end of the period	<u>161,918</u>	<u>161,584</u>

19. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 30 June 2016 and 31 December 2015, the nominal or contract amounts and risk-weighted amounts were:

	30 June 2016 (unaudited)		31 December 2015	
	Nominal Amount	Risk weighted amount	Nominal amount	Risk weighted amount
Financial guarantees and commitments:				
Guarantees issued and similar commitments	116,279	108,629	97,952	91,466
Letters of credit and other transaction related contingent obligations	2,524	33	5,819	1,164
	<u>118,803</u>	<u>108,662</u>	<u>103,771</u>	<u>92,630</u>
Total financial guarantees and commitments				

The table below summarizes nominal values of guarantees and similar commitments secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2016 (unaudited)	31 December 2015
Real estate	25,387	20,222
Receivables	14,620	14,079
Cash deposits	7,650	6,486
Movables	6,136	18,412
Corporate guarantees	1,984	991
Land	1,146	24
Goods in turnover	273	447
Other	3,084	3,000
Unsecured guarantees	<u>55,999</u>	<u>34,291</u>
Total	<u>116,279</u>	<u>97,952</u>

The table below summarizes the amounts of letters of credit and other transactions related to contingent obligations secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2016 (unaudited)	31 December 2015
Cash deposits	2,358	5,042
Unsecured letters of credit	166	-
Real estate	-	428
Goods in turnover	-	186
Receivables	-	163
Total	<u>2,524</u>	<u>5,819</u>

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and is dependent on borrowers' financial performance, debt service and other conditions.

Capital commitments

As at 30 June 2016 and 31 December 2015, the Group had no material commitments for capital expenditures outstanding.

Operating lease commitments

As at 30 June 2016 and 31 December 2015, there was no material operating lease commitments under non-cancelable operating leases outstanding.

Fiduciary activities

In the normal course of its business, the Group enters into agreements with a limited right of decision making with clients for management of their assets in accordance with specific criteria established by the client. The Group may be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The balance of the clients' funds under the management of the Group as at 30 June 2016 and 31 December 2015, including assets under trusteeship are KZT 721,310 million and KZT 875,977 million, respectively.

Managed assets are not included in the interim consolidated statement of financial position of the Group, as these assets are not assets of the Group. The face value of the securities differs from the market value of the indicated securities.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material losses will be incurred and respectively no provision has been made in this interim condensed consolidated financial information.

Taxation

Commercial legislation of the Republic of Kazakhstan and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the interim consolidated financial statements.

Pensions and retirement plans

Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan and Russian Federation. As at 30 June 2016 and 31 December 2015, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the tenge depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considers necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

20. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	30 June 2016 (unaudited)		31 December 2015	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Cash and cash equivalents	29	155,747	171	242,123
- shareholder	29		171	
Loans to customers and banks, gross	79	946,072	83	1,043,306
- key management personnel of the entity or its parent	79		83	
Allowance for impairment losses on loans to customers and banks	-	(103,365)	(1)	(151,326)
- key management personnel of the entity or its parent	-		(1)	
Due to banks and financial institutions	32	113,063	1	181,548
- key management personnel of the entity or its parent	32		1	
Customer and bank accounts	22,858	966,182	26,891	1,060,078
- key management personnel of the entity or its parent	13,129		15,885	
- close family members of key management personnel	9,729		11,006	
Financial guarantees and commitments	10	118,803	16	103,771
- Others	10		16	

Secured and unsecured loans and guarantees are made to key management personnel of the entity and shareholders in the ordinary course of business. The transactions did not involve more than the normal credit risk or present other unfavorable features.

Amounts deposited by the parent and other related parties earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

Included in the interim consolidated statement of profit or loss for the six months ended 30 June 2016 and 2015 are the following amounts which arose due to transactions with related parties:

	Three months ended 30 June 2016 (unaudited)		Three months ended 30 June 2015 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	1	23,682	2	23,616
- key management personnel of the entity or its parent	1		2	
Interest expense	(128)	(16,000)	(240)	(11,743)
- key management personnel of the entity or its parent	(75)		(163)	
- close family members of key management personnel	(53)		(77)	
Operating expenses	(87)	(8,130)	(79)	(6,690)
- key management personnel of the entity or its parent	(87)		(79)	
	Six months ended 30 June 2016 (unaudited)		Six months ended 30 June 2015 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	3	46,583	4	44,518
- key management personnel of the entity or its parent	3		4	
Interest expense	(193)	(34,449)	(564)	(24,023)
- key management personnel of the entity or its parent	(108)		(391)	
- close family members of key management personnel	(85)		(173)	
Operating expenses	(163)	(15,203)	(146)	(12,944)
- key management personnel of the entity or its parent	(163)		(146)	

Key management personnel compensation for the six months ended 30 June 2016 and 2015 is presented by short-term employee benefits.

21. SEGMENT REPORTING

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8 and in accordance with the segment reporting presented in the consolidated financial statements for the six months ended 30 June 2016.

Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Investment banking	Six months ended 30 June 2016 and as at 30 June 2016 (unaudited)
Continuing operations				
Interest income*	19,188	23,048	4,361	46,597
Interest expense*	(10,895)	(20,340)	(3,228)	(34,463)
(Provision for)/recovery of impairment losses on interest bearing assets	(13,267)	7,552	-	(5,715)
Net non-interest income	2,183	5,177	1,083	8,443
Operating expenses	<u>(7,104)</u>	<u>(7,879)</u>	<u>(220)</u>	<u>(15,203)</u>
(Loss)/profit before income tax	<u><u>(9,895)</u></u>	<u><u>7,558</u></u>	<u><u>1,996</u></u>	<u><u>(341)</u></u>
Segment assets**	<u><u>337,293</u></u>	<u><u>813,390</u></u>	<u><u>152,991</u></u>	<u><u>1,303,674</u></u>
Segment liabilities**	<u><u>520,279</u></u>	<u><u>536,967</u></u>	<u><u>155,701</u></u>	<u><u>1,212,947</u></u>
Other segment items				
Depreciation charge on property, equipment and intangible assets	(592)	(644)	(18)	(1,254)
Loans to customers and banks	352,756	489,951	-	842,707
Customer and banks accounts	508,711	487,471	-	996,182
Financial guarantees and commitments	-	118,803	-	118,803

* - interest income and interest expense include non-eliminated intercompany transactions in the amount of KZT 14 million and KZT (14) million.

** - net of current income tax assets and deferred tax liabilities

	Retail banking	Corporate banking	Investment banking	Six months ended 30 June 2015 and as at 30 June 2015* (unaudited)
Interest income	21,743	20,709	2,376	44,828
Interest expense	(7,240)	(12,696)	(4,397)	(24,333)
Recovery/(provision) of impairment losses on interest bearing assets	251	(14,094)	-	(13,843)
Net non-interest income	2,798	5,620	(710)	7,708
Operating expenses	(6,749)	(6,077)	(118)	(12,944)
Profit/(loss) before income tax	<u>10,803</u>	<u>(6,538)</u>	<u>(2,849)</u>	<u>1,416</u>
Segment assets**	<u>350,621</u>	<u>639,387</u>	<u>93,534</u>	<u>1,083,542</u>
Segment liabilities**	<u>337,037</u>	<u>509,558</u>	<u>150,790</u>	<u>997,385</u>
Other segment items				
Depreciation charge on property, equipment and intangible assets	(525)	(473)	(9)	(1,007)
Loans to customers and banks	365,503	447,530	-	813,033
Customer and banks accounts	336,305	446,159	-	782,464
Financial guarantees and commitments	-	120,942	-	120,942

* - interest income and interest expense include non-eliminated intercompany transactions in the amount of KZT 310 million and KZT (310) million.

** - net of current income tax assets and deferred income tax assets

All operations of the Group are conducted within the Republic of Kazakhstan.

22. TRANSFERRED FINANCIAL ASSETS

Transfers that did not qualify for derecognition of the financial asset in its entirety

Securities lending and repurchase agreements

The Group enters into repo and reverse repo transactions on a regular basis. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These transactions are conducted under KASE terms. The Group has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The Group may sell or repledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognised by the Group, which instead recognises a separate asset for any cash collateral provided.

Details of transferred financial assets that are not derecognised in their entirety as at 30 June 2016 and 31 December 2015 are disclosed below:

	Financial assets at fair value through profit or loss (Note 11)	Investments available-for- sale (Note 12)	Total
As at 30 June 2016:			
Carrying amount of assets	1,739	-	1,739
Carrying amount of associated liabilities (loans under repurchase agreements)	1,651	-	1,651
As at 31 December 2015:			
Carrying amount of assets	6,371	43,539	49,910
Carrying amount of associated liabilities (loans under repurchase agreements)	6,092	41,726	47,818

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobser- vable input(s)	Relationship of unobservable inputs to fair value
	30 June 2016 (unaudited)	31 December 2015				
Non-derivative financial assets at fair value through profit or loss - debt securities (Note 11)	16,505	12,018	Level 1	Quoted bid prices in an active market.	N/A	N/A
Non-derivative financial assets at fair value through profit or loss- equity securities (Note 11)	630	527	Level 1	Quoted bid prices in an active market.	N/A	N/A
Non-derivative investments available-for-sale- debt securities (Note 12)	97,145	93,531	Level 1	Quoted bid prices in an active market.	N/A	N/A
Derivative financial assets (Note 11)	74,850	91,205	Level 3	Discounted cash flows. USD part was calculated using observable inputs and spot rates, KZT part was calculated using implied rate by calibration to market	KZT implied rate	The greater KZT implied rate – the smaller fair value
Derivative financial liabilities (Note 11)	9,814	9,769	Level 3	Discounted cash flows. USD part was calculated using observable inputs and spot rates, KZT part was calculated using implied rate by calibration to market	KZT implied rate	The greater KZT implied rate – the smaller fair value

There were no transfers between Level 1 and 2 in the period.

As at 30 June 2016 and 31 December 2015, equity securities included in investments available-for-sale amounted to KZT 149 million and KZT 149 million, respectively, are carried at cost because it is practically difficult to quantify the intrinsic value of the equity securities issued by unlisted entities. In addition, probabilities and range of estimated cash flows of the unlisted equity securities cannot be reasonably assessed.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed below, management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value (the fair value of which varies from carrying value within the range of 5%):

	30 June 2016 (unaudited)		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Loans to customers and banks	842,707	720,203	891,980	810,806
Customer and bank accounts	996,182	770,085	1,060,078	1,047,618
Debt securities issued	24,667	24,708	26,595	23,794
Subordinated bonds	58,390	60,264	62,181	52,789

The carrying amount of cash and cash equivalents, due from banks, other financial assets and other financial liabilities approximates fair value due to short-term nature of such financial assets.

	30 June 2016 (unaudited)			Total
	Level 1	Level 2	Level 3	
Loans to customers and banks	-	-	720,203	720,203
Customer and bank accounts	-	770,085	-	770,085
Debt securities issued	24,708	-	-	24,708
Subordinated bonds	60,264	-	-	60,264

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Loans to customers and banks	-	-	810,806	810,806
Customer and bank accounts	-	1,047,618	-	1,047,618
Debt securities issued	23,794	-	-	23,794
Subordinated bonds	52,789	-	-	52,789

The fair value of subordinated bonds and debt securities issued was calculated based on quoted market prices.

The fair value of loans to customers and banks was determined on the basis of contractual cash flows discounted at market rates, published by NBRK and prevailing at the period end and adjusted for credit risk of counterparties.

24. REGULATORY MATTERS

The following table analyses the Group's regulatory capital resources for capital adequacy purposes:

Composition of regulatory capital	30 June 2016 (unaudited)	31 December 2015
Tier 1		
Share capital	69,779	69,741
Retained earnings	22,136	19,078
Non-controlling interest	389	353
Total qualifying tier 1 capital	92,304	89,172
Tier 2		
Qualified subordinated debt	46,152	44,586
Perpetual debt	26,662	26,513
Other reserves	(2,287)	(2,992)
Total qualifying tier 2 capital	70,527	68,107
Total regulatory capital	162,831	157,279
Risk weighted assets	1,108,671	1,111,246
Tier 1 capital ratio	8.33%	8.02%
Total capital adequacy ratio	14.69%	14.15%

Quantitative measures established by the Basel Committee to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total capital adequacy (8%) and tier 1 capital (4%) to risk weighted assets.

25. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. There have been no changes in risk management policies since year ended 31 December 2015.

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Other non-OECD countries	OECD countries	30 June 2016 Total (unaudited)
Financial assets				
Cash and cash equivalents	146,922	239	8,586	155,747
Obligatory reserves	12,333	-	-	12,333
Financial assets at fair value through profit or loss	91,699	-	286	91,985
Investments available-for-sale	95,385	1,890	19	97,294
Investments held-to-maturity	11,424	-	-	11,424
Due from banks	10,166	6,235	2,832	19,233
Loans to customers and banks	839,561	3,129	17	842,707
Other financial assets	13,772	-	-	13,772
Total financial assets	1,221,262	11,493	11,740	1,244,495
Financial liabilities				
Due to banks and financial institutions	64,606	640	47,817	113,063
Customer and bank accounts	995,484	698	-	996,182
Debt securities issued	24,667	-	-	24,667
Other financial liabilities	18,069	-	-	18,069
Subordinated bonds	58,390	-	-	58,390
Total financial liabilities	1,161,216	1,338	47,817	1,210,371
Net position	60,046	10,155	(36,077)	
	Kazakhstan	Other non-OECD countries	OECD countries	31 December 2015 Total
Financial assets:				
Cash and cash equivalents	235,521	2,284	4,318	242,123
Obligatory reserves	15,951	-	-	15,951
Financial assets at fair value through profit or loss	103,576	-	174	103,750
Investments available-for-sale	94,794	1,867	19	96,680
Investments held to maturity	6,318	-	292	6,610
Due from banks	7,470	-	2,703	10,173
Loans to customers and banks	876,943	14,848	189	891,980
Other financial assets	9,213	-	-	9,213
Total financial assets	1,349,786	18,999	7,695	1,376,480
Financial liabilities:				
Due to banks and financial institutions	129,282	531	51,735	181,548
Customer and bank accounts	1,060,078	-	-	1,060,078
Debt securities issued	26,595	-	-	26,595
Other financial liabilities	15,292	-	-	15,292
Subordinated bonds	62,181	-	-	62,181
Total financial liabilities	1,293,428	531	51,735	1,345,694
Net position	56,358	18,468	(44,040)	

Liquidity risk

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the interim consolidated statement of financial position date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

Investments available-for-sale and financial assets at fair value through profit or loss are classified into “up to 1 month” category. Although investments held to maturity are grouped on the basis of the remaining period from the reporting date to their maturity date, in case of liquidity crisis the Group can immediately realise short-term Treasury Notes of the Republic of Kazakhstan that are classified as investments held to maturity.

	Weighted average effective interest rate	On demand and up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	30 June 2016 Total (unaudited)
Financial assets							
Cash and cash equivalents	2.23%	26,455	6,791	-	-	-	33,246
Financial assets at fair value through profit or loss	6.25%	91,355	-	-	-	-	91,355
Investments available-for-sale	6.01%	97,145	-	-	-	-	97,145
Investments held to maturity	5.75%	-	-	4,879	2,493	4,052	11,424
Due from banks	4.26%	368	6,141	3	-	5,864	12,376
Loans to customers and banks	9.35%	124,825	50,846	155,686	316,360	194,990	842,707
Total interest bearing financial assets		340,148	63,778	160,568	318,853	204,906	1,088,253
Cash and cash equivalents		122,501	-	-	-	-	122,501
Obligatory reserves		12,333	-	-	-	-	12,333
Financial assets at fair value through profit or loss		630	-	-	-	-	630
Investments available-for-sale		149	-	-	-	-	149
Due from banks		6,857	-	-	-	-	6,857
Other financial assets		13,772	-	-	-	-	13,772
Total financial assets		496,390	63,778	160,568	318,853	204,906	1,244,495
Financial liabilities							
Due to banks and financial institutions	5.51%	3,566	18,698	3,743	34,282	51,646	111,935
Customer and banks accounts	5.65%	76,304	51,022	234,507	306,042	25,296	693,171
Debt securities issued	7.80%	-	-	10,255	14,411	1	24,667
Subordinated bonds	11.20%	-	-	8,845	17,858	31,687	58,390
Total interest bearing financial liabilities		79,870	69,720	257,350	372,593	108,630	888,163
Due to banks and financial institutions		1,128	-	-	-	-	1,128
Customer and banks accounts		303,011	-	-	-	-	303,011
Other financial liabilities		18,069	-	-	-	-	18,069
Total financial liabilities		402,078	69,720	257,350	372,593	108,630	1,210,371
Liquidity gap		94,312	(5,942)	(96,782)	(53,740)	96,276	
Interest sensitivity gap		260,278	(5,942)	(96,782)	(53,740)	96,276	
Cumulative interest sensitivity gap		260,278	254,336	157,554	103,814	200,090	
Cumulative interest sensitivity gap as a percentage of total financial assets		20.91%	20.44%	12.66%	8.34%	16.08%	

	Weighted average effective interest rate	On demand and up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2015 Total (unaudited)
Financial assets:							
Cash and cash equivalents	2.41%	21,250	3,372	-	-	-	24,622
Financial assets at fair value through profit or loss	7.19%	103,223	-	-	-	-	103,223
Investments available-for-sale	7.12%	96,531	-	-	-	-	96,531
Investments held to maturity	4.51%	-	292	587	5,684	47	6,610
Due from banks	2.34%	2,703	-	5,104	-	-	7,807
Loans to customers and banks	8.98%	99,270	47,877	170,618	324,682	249,533	891,980
Total interest bearing financial assets		322,977	51,541	176,309	330,366	249,580	1,130,773
Cash and cash equivalents		217,501	-	-	-	-	217,501
Obligatory reserves		15,951	-	-	-	-	15,951
Financial assets at fair value through profit or loss		527	-	-	-	-	527
Investments available-for-sale		149	-	-	-	-	149
Due from banks		2,366	-	-	-	-	2,366
Other financial assets		9,213	-	-	-	-	9,213
Total financial assets		568,684	51,541	176,309	330,366	249,580	1,376,480
Financial liabilities:							
Due to banks and financial institutions	8.56%	52,481	9,920	29,796	37,177	51,005	180,379
Customer and bank accounts	4.62%	59,300	161,255	314,883	209,090	24,209	768,737
Debt securities issued	7.80%	2,062	-	346	24,185	2	26,595
Subordinated bonds	7.56%	-	411	9,261	20,818	31,691	62,181
Total interest bearing financial liabilities		113,843	171,586	354,286	291,270	106,907	1,037,892
Due to banks and financial institutions		1,169	-	-	-	-	1,169
Customer and banks accounts		291,341	-	-	-	-	291,341
Other financial liabilities		15,292	-	-	-	-	15,292
Total financial liabilities		421,645	171,586	354,286	291,270	106,907	1,345,694
Liquidity gap		147,039	(120,045)	(177,977)	39,096	142,673	
Interest sensitivity gap		209,134	(120,045)	(177,977)	39,096	142,673	
Cumulative interest sensitivity gap		209,134	89,089	(88,888)	(49,792)	92,881	
Cumulative interest sensitivity gap as a percentage of total financial assets		15.19%	6.47%	(6.46%)	(3.62%)	6.75%	

Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits is rolled over. Management is confident that the Group will be able to obtain required funds in order to replace attracted liabilities with duration up to twelve months. In particular, management believe that the continued support of its shareholders and access to borrowings from international financial institutions means that the Group would be able to obtain appropriate resources.

Market risk

Market risk includes interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk, it is exposed for the six months ended 30 June 2016 since the year ended 31 December 2015.

Interest rate risk

The majority of the Group's loan contracts and other financial assets and liabilities that bear floating interest contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Currency risk

The Group's exposure to foreign currency exchange rate risk as at 30 June 2016 is presented in the tables below:

	KZT	USD 1 USD = 338.66 KZT	EUR 1 EUR = 377.20 KZT	Other currencies	30 June 2016 Total (unaudited)
Financial assets					
Cash and cash equivalents	11,275	129,235	12,211	3,026	155,747
Obligatory reserves	12,333	-	-	-	12,333
Financial assets at fair value through profit or loss	90,700	1,280	-	5	91,985
Investments available-for-sale	54,932	35,054	7,308	-	97,294
Investments held-to-maturity	1,128	9,749	547	-	11,424
Due from banks	4,008	9,246	-	5,979	19,233
Loans to customers and banks	652,182	189,212	1,313	-	842,707
Other financial assets	13,227	452	79	14	13,772
Total financial assets	839,785	374,228	21,458	9,024	1,244,495
Financial liabilities					
Due to banks and financial institutions	83,545	27,812	1,706	-	113,063
Customer and banks accounts	490,198	479,061	17,346	9,577	996,182
Debt securities issued	24,667	-	-	-	24,667
Other financial liabilities	15,416	2,097	150	406	18,069
Subordinated bonds	58,390	-	-	-	58,390
Total financial liabilities	672,216	508,970	19,202	9,983	1,210,371
Open position	167,569	(134,742)	2,256	(959)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented below and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 30 June 2016:

	KZT	USD 1 USD = 338.66 KZT	EUR 1 EUR = 377.2 KZT	Other currencies	30 June 2016 (unaudited)
Accounts receivable on spot and derivative contracts	11,111	161,202	-	-	172,313
Accounts payable on spot and derivative contracts	(86,696)	(20,658)	-	-	(107,354)
Net spot and derivative financial instruments position	(75,585)	140,544	-	-	64,959
Open position	91,984	5,802	2,256	(959)	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2015 is presented in the tables below

	KZT	USD 1 USD = 340.01 KZT	EUR 1 EUR = 371.46 KZT	Other currencies	31 December 2015 Total
Financial assets:					
Cash and cash equivalents	6,466	218,897	13,067	3,693	242,123
Obligatory reserves	15,951	-	-	-	15,951
Financial assets at fair value through profit or loss	103,479	267	-	4	103,750
Investments available-for-sale	38,200	51,313	7,167	-	96,680
Investments held to maturity	2,018	4,047	545	-	6,610
Due from banks	980	9,193	-	-	10,173
Loans to customers and banks	691,718	198,578	1,684	-	891,980
Other financial assets	8,737	371	102	3	9,213
Total financial assets	867,549	482,666	22,565	3,700	1,376,480
Financial liabilities:					
Due to banks and financial institutions	147,048	32,941	1,559	-	181,548
Customer and bank accounts	396,873	637,521	20,916	4,768	1,060,078
Debt securities issued	26,595	-	-	-	26,595
Other financial liabilities	13,598	1,521	126	47	15,292
Subordinated bonds	62,181	-	-	-	62,181
Total financial liabilities	646,295	671,983	22,601	4,815	1,345,694
Open position	221,254	(189,317)	(36)	(1,115)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2015:

	KZT	USD 1 USD = 340.01 KZT	EUR 1 EUR = 371.46 KZT	Other currencies	31 December 2015 Total
Accounts receivable on spot and derivative contracts	11,111	204,346	-	-	215,457
Accounts payable on spot and derivative contracts	<u>(114,359)</u>	<u>(20,741)</u>	<u>-</u>	<u>-</u>	<u>(135,100)</u>
Net spot and derivative financial instruments position	<u>(103,248)</u>	<u>183,605</u>	<u>-</u>	<u>-</u>	<u>80,357</u>
Total open position	<u>118,006</u>	<u>(5,712)</u>	<u>(36)</u>	<u>(1,115)</u>	

26. SUBSEQUENT EVENTS

Up to the date of issue of these financial statements Management have not identified any significant subsequent events which require disclosure.